



Annual Benefit Report  
of  
Other Half Processing, SBC  
A Minnesota Specific Public Benefit Corporation

March 25, 2019

Other Half Processing (previously known as Regenerative Renderings) was incorporated on July 14, 2017 as a Specific Benefit Corporation under Minnesota's Public Benefit Corporation Act (the "Act"). Pursuant to Section 304A.101 of the Act, Other Half Processing's specific public benefit purpose as stated in its Articles of Incorporation is:

**To create high value and high quality products in ways that are ethical and respectful to the animal, and support regenerative farmers, ranchers and agricultural systems.**

Throughout this report, Other Half Processing will be referred to as OHP or may refer to itself as "we", or "our" or "us."

## OUR STORY

Most people are familiar with organic milk, grassfed beef and free-range eggs. Consumer support for these kind of more sustainable and ethical animal products has grown dramatically in recent years. Yet this same differentiation has not been applied to the highly useful byproducts - like leather or tallow - that come from the "other half" of the animal.

Despite the importance and value of byproducts, there hasn't yet been a commercial effort to separately process these materials that come from regenerative, organic, or other more sustainably raised animals. While the meat and milk from these animals goes to high demand markets, the other half gets combined with materials from conventional livestock operations and rendering streams. And as the majority of these more sustainably raised animals are processed at smaller, less integrated slaughter plants, the value returned for the byproducts is even less, due to higher collection costs and lower volumes of byproduct materials. This lack of separation is costly to both the producers that raise these animals and the smaller scale slaughter plants that support them, which ends up costing consumers as well, as the meat sales have to bear much higher overall prices to return a profit.

We believe people want more ethical and sustainable animal byproducts for the same reason they value the food items:

- they want to know livestock are respected and humanely treated throughout their lives
- they believe that healthy, well-raised animals result in higher quality, healthier products
- they support organic, regenerative and other more sustainable farming and ranching systems

So we founded a company to fill this gap. We are establishing identity preserved systems, processing and markets that increase the value of sustainable animal byproducts to the direct benefit of the producers and OHP's processing partners.

With regard to the period covered by this report, from our founding in January to December 31, 2018, OHP pursued the specific public benefit purpose stated in its Articles of Incorporation in the following ways:

- Our business development research and outreach continued to focus and refine which opportunities are most immediate for creating value from these byproducts. We talked with multiple pet food, apparel and other companies that use byproducts and are interested in regenerative, organic and other sustainable aspects. Out of this work we identified and moved forward with several partners in 2018.
- A major part of the operational work in 2018 was developing ID preservation and logistical infrastructure that supports the separation and tracking of the materials and their specific (regenerative, organic, etc.) attributes for which the customer is willing to pay more.
- We continued work on building connections with sustainable regional and national livestock and meat companies, in order to better understand potential volume of materials available regionally and nationally if demanded.
- We participated in major national meetings associated with regenerative agricultural systems criteria, market development, and supply chain connections to be able to influence and understand how byproducts can be involved.
- We further refined a business plan and began pursuing a launch strategy for OHP's initial product, that has at its foundation an established financial premium over conventional market prices paid to regenerative producers and supply chain partners for byproduct materials.

*The following is a description of how we believe we succeeded in achieving the goals of our specific public benefit purpose.*

- Created a business plan that is proving viable from the start with a premium included for regenerative producers which was accepted by an OHP customer
- Connection with multiple producers that express support for (and expect to see a benefit) from OHP being part of the regenerative supply chain.
- Groundwork laid with a first (and potential "anchor") customer through the purchase of a small amount of our materials

*The following is a description of what prevented us from achieving the specific public benefit purpose, to the extent that we did not pursue or create the specific public benefit in this reporting year.*

- We did not have a significant financial impact in 2018 since we only shipped a small amount of product for sample purposes. But this test appears successful, and is helping us move forward in a more substantial manner in 2019 and beyond

**CERTIFICATION BY THE BOARD OF DIRECTORS**

The undersigned, being all the directors of Other Half Processing, hereby acknowledge and certify that we have reviewed and approved the enclosed Annual Benefit Report.



James Kleinschmit



Mark Kleinschmit

**SUBMISSION:**

I, the undersigned, certify that I am the Chief Executive Officer of this public benefit corporation. I further certify that I have signed this document no more than 30 days before the document is delivered to the secretary of state for filing, and that this document is current when signed. I further certify that I have provided all required information and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.



James Kleinschmit  
CEO



**Work Item 1077815100034**  
**Original File Number 958074700032**

STATE OF MINNESOTA  
OFFICE OF THE SECRETARY OF STATE  
FILED  
**03/29/2019 11:59 PM**

*Steve Simon*

Steve Simon  
Secretary of State